

***United States Court of Appeals
for the Second Circuit***



**BRIEF FOR
APPELLEE**

76-7189

IN THE
United States Court of Appeals
For the Second Circuit

Appeal No. 76-7189

SHATTUCK, Et AL.,

Appellants,

v.

HOEGL Et AL.,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

BRIEF FOR APPELLEES

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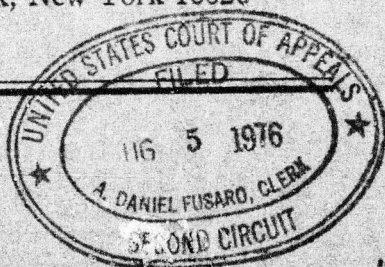


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BRIEF FOR APPELLEES

I. RESTATEMENT OF THE ISSUES

Not only does the Appellants' "Statement of Issues Presented for Review" include erroneous factual allegations, it is at odds with the statement of issues set forth in the Appellants' "Designation of Contents of Record and Statement of Issue" (76A 161-162*)

Properly stated, the issues on this appeal are:

(1) Should this appeal be dismissed on the law of the case, as being procedurally improper, or for lack of jurisdiction of this Court to hear the appeal; and

*As used herein, the notation "76A-" refers to pages of "Joint Appendix" which was filed with the Appellants' Brief in the present appeal. Contrary to the provisions of Rule 30(c) F.R.A.P., however, the document filed by Appellants as a "Joint Appendix" in this appeal was not prepared by agreement of the parties. Appellees received no designation of the parts of the record to be included in that Appendix and, therefore, had no opportunity to add parts excluded by the Appellants. One such document, the "Opposition of Hoegl et al. to Shattuck et al's Motion to Compel Under Rule 37" (Item 2 of the Record Designated by Appellants; 76A-161) is included at pages SA1-SA7 in a Supplemental Appendix filed with this brief.

(2) Was the District Court correct in denying the discovery request by Shattuck et al.

II. STATEMENT OF THE CASE

A. The Proceedings Below

This is an appeal from a Decision and Order by the United States District Court for the Western District of New York (Burke, J.) denying a request by Shattuck et al to order depositions of two attorneys of Xerox Corporation, Messrs. Karambelas and Kondo, and production of Xerox privileged and work product documents from the files of Mr. Karambelas.

The order of the District Court denying the Shattuck et al motion was issued in connection with a special proceeding instituted by Shattuck et al in February 1974 to obtain discovery from Karambelas, Kondo and Dr. Weigl, a research director of Xerox, in connection with Patent Office Interference No. 98,047 between Hoegl et al and Shattuck et al.

Promptly upon receipt of subpoenae *duces tecum* in February 1974, Messrs. Karambelas, Kondo and Weigl had objected to production of any documents containing privileged or work product information. At their depositions on April 24, 1974, Messrs. Karambelas and Weigl had each identified certain documents and withheld them pursuant to a claim of privilege and work product and refused to give related testimony. At the request of Shattuck et al the District Court ordered on May 7, 1974 that the Weigl privileged and work product documents be produced and related testimony be given by Weigl. An appeal to this Court (Docket No. 74-1767) by Hoegl et al from that order was dismissed by the Court for lack of jurisdiction (523 F.2d 509) on July 16 1975. In December 1975, Shattuck et al

sought the order for documents and testimony from Karambelas and Kondo which was denied by the District Court, giving rise to this appeal.

B. Restatement of Facts*

On August 16, 1972, the United States Patent & Trademark Office ("PTO") declared an interference (74A 151-152)** between a patent application filed by Helmut Hoegl and Giacomo Barchietto (Hoegl et al) which is assigned to Xerox Corporation ("Xerox"), and a patent issued to Meredith D. Shattuck and Ulo Vahtra (Shattuck et al) and assigned to International Business Machines Corporation ("IBM"). The subject of the interference is a specific photoconductive composition used in IBM's office copiers.

IBM, in a motion filed in the PTO on November 14, 1973, leveled unsupported and nonspecific charges of fraud against Xerox and sought extensive discovery from Xerox in an attempt to support its fraud allegations. The PTO denied the discovery sought by IBM, stating:

"Where, as here, a broad allegation of fraud has been leveled by one of the parties no order for broad discovery will be issued merely to investigate the possibility of the existence of fraud." (74A-238)

IBM, being unwilling to accept the PTO ruling, procured the issuance of subpoenas on February 11 and 15, 1974, from the United States District Court for the

*The "Statement of Facts" in Appellants' Brief is replete with erroneous statements, allegations of disputed matters as being factual, and argumentative material. An analysis of certain errors in that portion of Appellants' Brief is included as Addendum A to this memorandum.

**The designation "74A-" refers to pages of the Joint Appendix filed in the prior appeal in this case, Docket No. 74-1767.

Western District of New York, requiring testimony and production of documents from three employees of Xerox—a research scientist, Dr. John Weigl, and two attorneys, Mr. Anthony Karambelas and Mr. Peter Kondo (76A 18-23). Objections to each of those subpoenas, including objections on the ground of privilege and work product, were served on IBM on February 20, 1974 (SA15-23). Depositions were taken of Dr. Weigl on February 20, April 5, and April 24, 1974, of Mr. Karambelas on February 21 and April 24, 1974, and of Mr. Kondo on February 21, 1974. During the depositions of Dr. Weigl and Mr. Karambelas on April 24, 1974, certain documents and related testimony were withheld by each of them on the grounds of attorney-client privilege and attorney-work product (76A 13, 14, 29).

IBM then obtained a show cause order from the Western District Court seeking only the production of the privileged and work product documents withheld from Dr. Weigl's files, and related testimony (76A 30-94). Although reference was made in the Shattuck et al supporting memoranda to the documents withheld by Karambelas as being privileged and work product (76A 72-73), IBM did not ask for any testimony or documents from Karambelas or Kondo. As a result, the Western District Court, on May 7, 1974, ordered production of the Weigl privileged and work product documents and related testimony from Dr. Weigl, but directed no production or further testimony from Mr. Karambelas or Mr. Kondo (76A 96-98). Xerox appealed to this Court from that order (Docket No. 74-1767) and, in a motion to dismiss that appeal, IBM pointed out that a District Court order granting or denying discovery in connection with an interference proceeding is not appealable, citing this Court's decision in *Tucker v. Peiler*, 297 F.570, 575, *cert. denied* 265 U.S. 587 (2d Cir. 1924), wherein an

appeal from an order denying discovery in connection with an interference was dismissed for lack of jurisdiction. (Shattuck et al Motion for an Order of Dismissal of Appeal, Docket No. 74-1767, June 13, 1974, page 7).

Following full briefing and argument on the merits, this Court, on July 16, 1975, held that the District Court order relating to discovery from a party to the interference (i.e., Xerox) was not appealable and dismissed the appeal for lack of appellate jurisdiction, *Shattuck v. Hoegl* 523 F.2d 509 (2d Cir. 1975). A request by Xerox for reconsideration was denied on September 4, 1975.

After the privileged and work product documents from the Weigl files had been produced to IBM pursuant to the District Court Order of May 7, 1974, IBM, on November 26, 1975, filed another motion in the United States District Court for the Western District of New York, seeking further testimony from Mr. Karambelas and Mr. Kondo, and production of the privileged and work product documents objected to in February, 1974 (SA15-17) and withheld by Mr. Karambelas during his deposition in April, 1974, prior to final briefing and argument on the IBM show cause order in connection with the Weigl documents. On March 11, 1976, the Western District Court issued its decision and order denying the IBM motion, holding that the Kondo and Karambelas depositions were completed and that IBM has no right to the Karambelas documents (76A 4-9). On April 9, 1976, IBM filed this appeal from that order.

Following a suspension of PTO activity in the interference for nearly two years during the litigation of IBM's demand for access to the Weigl privileged and work product documents, the Shattuck et al testimony period was rescheduled by the PTO on March 11, 1976 to expire on April 12, 1976. During that period, IBM took one further deposi-

tion, of Dr. Weigl on April 8, 1976, and then moved in the PTO on April 9, 1976, for a further suspension of its testimony period. That motion was denied and IBM was given until May 12, 1976 to complete the Shattuck et al testimony.

On its last day for testimony, May 12, 1976, IBM filed motions in the PTO pursuant to Rule 287(c) seeking, *inter alia*, the same documents and testimony which were denied by the Western District Court order here on appeal and to suspend the interference again. IBM's discovery motion is still pending in the PTO but the interference has again been suspended until that motion is decided.

Finally, in a motion filed in this Court on May 20, 1976, Xerox sought dismissal of this appeal based upon the law of the case, procedural impropriety and lack of jurisdiction. By order dated June 17, 1976, the Court referred the motion to dismiss to the panel that hears this appeal.

III. ARGUMENT

A. This Appeal Should Be Dismissed

The May 20, 1976 motion by Xerox to dismiss this appeal is hereby renewed and presented to the panel hearing the appeal.

1. The Court's Prior Decision In This Case Requires Dismissal of the Appeal

In the first appeal in *Shattuck v. Hoegl, supra*, the issue of appealability of a District Court discovery order involving privileged and work product documents and testimony relating thereto from employees of Xerox, the assignee of Hoegl et al, sought by IBM in an attempt to support the IBM fraud allegations, was fully briefed and argued in this Court. The Court, recognizing its prior de-

cision in *Tucker v. Peiler*, 297 F.570 (2d Cir. 1924), as the controlling authority, but giving careful attention to all of the more recent decisions including those from other circuits which appear to be in conflict with the established rule in this Circuit, stated (523 F.2d at 514):

"We are mindful that recent decisions of other circuits have permitted appeals from orders entered pursuant to 35 U.S.C. § 24. A brief analysis of their *ratio decidendi* may be appropriate since, on the facts of the instant case, we adhere to our decision in *Tucker v. Peiler*."

In *Tucker v. Peiler*, the District Court for the District of Connecticut had denied an application by the party Tucker for further discovery in connection with a Patent Office interference. On appeal, this Court dismissed the appeal, stating, 297 F.2d at 572:

"An order entered denying or granting a petition for a writ of subpoena under the statute [i.e., 35 U.S.C. § 24] may be the legitimate exertion of judicial authority in a case or controversy, but it is not of such finality as to make it reviewable here on appeal.

and, at 574:

"That such interlocutory or collateral orders are not final and are not appealable is now well established. *Webster v. Cassatt*, 207 U.S. 181, 28 Sup. Ct. 108, 52 L. Ed. 160; *Doyle v. London, etc., Co.*, 204 U.S. 599, 27 Sup. Ct. 313, 51 L. Ed. 641."

In adhering to its earlier ruling in *Tucker v. Peiler* as the basis for dismissing the Xerox appeal in *Shattuck v.*

Hoegl, this Court held that, while denial of discovery from a *non-party* may preclude review by the main tribunal, i.e., the PTO or a court reviewing the PTO decision, denial by the District Court of discovery sought from a *party* does not preclude such review, stating (523 F.2d at 514-515):

"In allowing review in *Natta*, we think that the Seventh Circuit failed to distinguish between the situation of a party, as distinguished from that of a non-party. Such distinction strikes us as crucial. In the *Carter Products* situation, the court to which the appeal in the main action would be taken would have no power to direct production by a non-party outside its jurisdiction; hence no review of such a disclosure order would be possible unless in the ancillary jurisdiction. *Carter Products Co. v. Ever-sharp, Inc.*, *supra*, 360 F.2d at 871-72; *Baker v. United States Steel Corp.*, *supra*, 492 F.2d at 1078. On the other hand, where disclosure is sought from a party, the court which reviews the main action will always have the requisite jurisdiction to order disclosure. *Republic Gear Co. v. Borg-Warner Corp.*, *supra*, 381 F.2d at 554. Similarly, a court which reviews a Patent Office determination may order production by a party to the interference if it thinks such production is warranted."

That ruling established the law of this case as between the parties with respect to the subject matter of this appeal, i.e., that District Court orders regarding discovery from Xerox employees in connection with the IBM fraud allegations are not appealable. Repeated relitigation of the same issues by the same parties is wasteful and inappropriate. Any appeal involving the same issues should, therefore, be dismissed on the doctrine of the law of the case.

As stated at 1B Moore, Federal Practice, ¶ 0.404[1] (Second Edition 1974), at 402-403:

"As in the case of stare decisis, the federal doctrine of the law of the case applies to principles of law enunciated by the trial court and by the appellate courts. When, therefore, a federal court enunciates a rule of law to be applied in the case at bar it not only establishes a precedent for subsequent cases under the doctrine of stare decisis, but, as a general proposition, it establishes the law, which other courts owing obedience to it *must*, and which it itself will, normally apply to the same issues in subsequent proceedings in that case. [Footnotes omitted]

Although the parties are now reversed, there is no reason whatsoever not to apply the law of the case as established by *Shattuck v. Hoegl* for the same issue as is presented in this appeal.

2. An Appeal To This Court Is Procedurally Improper

Rule 30, F.R.Civ.P. governs the taking of depositions pursuant to subpoenas issued by the District Courts. Subdivision (d) of that Rule authorizes the District Court to issue an order terminating such examination as follows:

"At any time during the taking of the deposition, on motion of a party or of the deponent and upon a showing that the examination is being conducted in bad faith or in such manner as unreasonably to annoy, embarrass, or oppress the deponent or party, the court in which the action is pending or the court in the district where the deposition is being taken may order the officer conducting the examination to cease forthwith from taking the de-

position, or may limit the scope and manner of the taking of the deposition as provided in Rule 26(c). *If the order made terminates the examination, it shall be resumed thereafter only upon the order of the court in which the action is pending . . .*" [Emphasis added]

The order here on appeal is an order terminating the examination in accordance with Rule 30(d), even though it resulted from a motion seeking an order continuing the examination rather than one seeking to terminate it. Since Rule 30(d) specifies that the deposition thus terminated may be renewed only upon order of the tribunal in which the action is pending (in this case the PTO), this appeal, which seeks to overturn the District Court order without the issuance of any contravening order from the PTO, is procedurally improper and should be dismissed for that reason.

3. This District Court Order Is Not Appealable

Because no application was made by IBM to the District Court for certification under 35 U.S.C. § 1292(b), the only possible jurisdictional basis for this appeal would be 35 U.S.C. § 1291, which authorizes appeals for "all *final* decisions of the district courts".

Contrary to the assertion by Shattuck et al (Br.* 13), the law in this Circuit is firmly established that District Court orders granting or denying discovery from a party are not final and, therefore, not appealable under § 1291. Not only do the longstanding authorities, such as *Tucker v. Peiler, supra*, set forth the historical basis for that rule, the most recent decisions of this Court strongly reaffirm that

*The designation "Br. ____" refers to the page of the Appellants' Brief filed in connection with this appeal.

principle. Only a few months ago, this Court, in denying a similar appeal from a District Court discovery order, stated: *Xerox Corporation v. SCM Corporation*, 534 F.2d 1031, at 1031-1032 (2d Cir., 1976):

"In recent years we have repeatedly sought to make clear that in the absence of a certification pursuant to 28 U.S.C. §1292(b) or of a showing of 'persistent disregard of the Rules of Civil Procedure,' *Will v. United States*, 389 U.S. 90, 96, 88 S.Ct. 269, 274, 19 L.Ed. 2d 305, 310 (1967), or of 'a manifest abuse of discretion,' *Baker v. United States Steel Corp.*, 492 F.2d 1074, 1077 (2d Cir. 1974), on the part of the district court, no jurisdictional basis exists for interlocutory review of pretrial discovery orders of the type here presented. See 28 U.S.C. §1291; *International Business Machines Corp. v. United States*, 480 F.2d 293 (2d Cir. 1973) (en banc), cert. denied, 416 U.S. 980, 94 S.Ct. 2413, 40 L.Ed. 2d. 777 (1974); *American Express Warehousing, Ltd. v. Transamerica Insurance Co.*, 380 F.2d 277 (2d Cir. 1967); *Shattuck (IBM) v. Hoegl (Xerox)*, 523 F.2d 509 (2d Cir. 1975)."

Even more recently, this Court rejected another attempt by IBM to obtain review of a District Court discovery order, stating:

"In the case of *Xerox v. SCM* this Court expressed its strong reluctance to entertain an interlocutory review of pretrial discovery orders of the type presented in this case. Without in any way passing upon the matters sought to be reviewed, we find nothing of extraordinary significance in the issues on this appeal which warrant a departure from

our customary practice." (*IBM v. U.S.A.*, 2d. Cir. Docket No. 76-3035, Transcript of July 19, 1976 Argument, p. 26).

This Court's rulings in those cases leave no room for doubt or argument. District Court orders relating to discovery from a party are not appealable.

Furthermore, by now resorting to the PTO in an attempt to obtain the very same discovery which was denied by the District Court in the appealed order, Shattuck et al acknowledge that the rationale of this Court regarding discovery from a party to a Patent Office Interference proceeding, as set forth in *Shattuck v. Hoegl*, *supra*, pages 7-8, is applicable here and that the District Court Order now on appeal, which is directed to discovery from a party, is not appealable. Such action by Shattuck et al directly contradicts IBM's argument (Br. 13) that the District Court order "prevents the Patent Office from considering the evidence sought" and supports this Court's statement in *Shattuck v. Hoegl* that any discovery errors can be corrected "through Court review of the Patent Office determination" (523 F.2d at 517) and requires dismissal of this appeal.

B. The District Court Denial Of The Discovery Requested By Shattuck et al Was Correct And Should Not Be Reversed

Assuming, *arguendo*, that the District Court order denying the requested discovery is appealable, it should be upheld by this Court in every respect. Having had jurisdiction of the dispute for over two years, the District Court was thoroughly familiar with the background of IBM's motion and undoubtedly recognized that it was merely another step in IBM's continuing program to prolong improperly its illegal monopoly in connection with the Shattuck et al patent.

IBM's obvious objective in prosecuting three District Court motions and this appeal from the latest ruling in connection with this interference is to delay as long as possible the inevitable determination by the PTO that Shattuck and Vahtra, the persons named by IBM as inventors, are not, in fact, the first inventors of the patented subject matter. The impropriety of filing District Court discovery motions in connection with Patent Office interferences was pointed out in *Babcock & Wilcox Co. v. Foster Wheeler Corp.*, (not officially reported), 173 U.S.P.Q. 480 (D.N.J. 1972), affirmed (not officially reported) 173 U.S.P.Q. 642 (3d Cir. 1973) where the New Jersey District Court, after considering a motion presented in circumstances similar to those involved in the present instance,* stated, at 483:

"A disposition fair to all interests is to conclude that any motion for discovery filed in district court following the commencement of the testimony period in the interference proceeding will be presumed dilatory, unless based upon newly revealed testimony or documents adduced at trial."

A ruling that Shattuck and Vahtra were not the first inventors is inevitable because IBM has taken the position in the interference that the subject matter of the interference was invented by members of Dr. Weigl's group at Xerox prior to the invention date of Hoegl and Barchietto, the inventors named in the Xerox application involved in the interference. But the alleged prior invention in Dr. Weigl's group is also prior to the earliest date that could possibly be proved by IBM's applicants Shattuck and Vahtra. Therefore, if IBM's prior invention argument were sound, it would necessarily make the subject matter

*There had been two prior District Court motions and corresponding appeals to the Third Circuit Court of Appeals.

of the interference unpatentable to IBM. If IBM's argument is incorrect, IBM has no reasonable basis for avoiding an award of priority to Hoegl and Barchietto.

Faced with this impossible dilemma, IBM levelled reckless charges of fraud against Xerox with the desperate hope that Xerox's application would be eliminated from the interference without any decision on the merits, leaving IBM's patent unchallenged and standing as a threat to any competitor who might wish to use the photoconductive composition which is the subject of the interference. IBM's fraud charges, however, are utterly without merit.

Indicative of the recklessness of IBM's fraud allegations is the contention, originally included in those charges, that the Barchietto signature on the Declaration signed by the inventors in the application was forged (74A 238). Following repeated assertions by IBM's counsel of such forgery, IBM's own handwriting expert confirmed that the signature of Barchietto on the Declaration was, in fact, genuine and IBM was forced to withdraw the charge. Nevertheless, IBM continues (Br. 9) its improper fraud charges contending, incorrectly, that Hoegl and Barchietto declared that they were, in fact, the first and original inventors of the subject matter of the interference and that the prior work of the Xerox personnel in Dr. Weigl's group contradicted that declaration.

In the first place, even if the prior work under Dr. Weigl did amount to prior invention of the subject matter (which it does not under the law), Hoegl and Barchietto made no incorrect statement. In the Declaration for their application they stated (76A 77) ". . . we verily believe that we are the original first and joint inventors of the invention. . ." (emphasis added) and in the Preliminary Statement (76A 62), they stated only that ". . . we made the invention set forth by the counts of the Interference . . ." and that ". . . the invention set forth by the counts

of the Interference was made by us as early as July, 1964, in Geneva, Switzerland. . .” In neither instance do Hoegl and Barchietto assert that they *were* the original and first inventors, as contended by IBM. Consequently, the alleged evidence of prior invention relied on by Shattuck et al could not possibly support a charge of fraud.

Furthermore, the prior work in Dr. Weigl's group was not considered as an invention and, even if it had been an invention, was not effective as prior art against Hoegl and Barchietto since it had been abandoned by inactivity lasting more than six years between the time the work was done and the declaration of the interference, and by failure to file any patent application directed to that work at any time. As stated recently by the Court of Customs and Patent Appeals in holding that a later applicant can not rely upon work completed long before his application was filed:

“In our opinion, a four-year delay from the time an inventor is satisfied with his invention and completes his work on it and the time his assignee-employer files a patent application is, *prima facie*, unreasonably long in an interference with a party who filed first.” *Peeler, Godfrey and Forby v. Miller*, —F.2d—, 190 U.S.P.Q. 117, 122 (C.C.I.A. 1976)

Finally, contrary to IBM's further assertion, there was no reason to submit the prior Xerox work on the subject matter to the PTO since, pursuant to Patent Office Rule 201, the PTO will not declare any interference between applications owned by the same assignee. Instead, it insists that the assignee make any determination as to prior invention without reference to the PTC.

There is, therefore, no basis whatsoever for IBM's contention that earlier work in Dr. Weigl's group at Xerox

for which no application was ever filed could defeat the rights of Hoegl and Barchietto, who filed their application prior to Shattuck and Vahtra and had no knowledge of any prior work.

Despite the ridiculous nature of IBM's fraud charges, IBM, apparently believing that continuous repetition can turn fiction into fact, has littered the record with contentions that it has made out a *prima facie* case of fraud. It has not, and can not do so and, consequently, has no proper basis for any discovery of the privileged and work product documents and testimony which were denied by the order here on appeal. Moreover, IBM knows that the PTO will not consider such evidence even if were obtained by IBM. In this regard, the PTO, in denying the original Shattuck et al motion for discovery, stated:

"Turning to the question of possible fraud by Hoegl et al., we do not consider that the showing by Shattuck et al in support of their motion establishes that the interest of justice requires the ordering of the additional discovery requested. Where, as here, a broad allegation of fraud has been leveled by one of the parties no order for broad discovery will be issued merely to investigate the possibility of the existence of fraud. Moreover, it is considered that the fraud in ex parte prosecution of an application does not directly relate to the question of priority of invention and is, therefore, not a matter that is reviewable under Rule 258 at final hearing. The proper procedure consistent with Rule 56 was established by *Vandenberg v. Reynolds* 46 CCPA 938, 268 F.2d 744, 122 USPQ 381; and *Norton v. Curtiss*, 433 F.2d 779, 167 USPQ 532. Any question of such fraud should be raised by way of petition to the Commissioner under the aforementioned rule." (74A 238)

Despite the absence of any basis for it, and with the knowledge that the PTO would refuse consideration of any alleged evidence of fraud in this interference, IBM has insisted upon seeking improper and unnecessary discovery relating to privileged and work product information of Xerox. Having been told by the PTO that such discovery was improper in the interference and, therefore, anticipating that Xerox would resist any such improper discovery attempts, IBM has reiterated its reckless fraud charges and repeatedly demanded production of Xerox privileged and work product documents based upon erroneous contention that they might support IBM's groundless fraud charges. The Weigl documents which were the subject of the previous appeal, and which IBM insisted were necessary to prove its fraud charges, turned out to be entirely innocuous. Contrary to the Shattuck et al contentions (Br. Addendum C), they do not show any misstatement by Hoegl and Barchietto or by Xerox or any withholding of pertinent information from the PTO. Similarly, the Karambelas documents sought by this appeal are irrelevant and could not support any of the Shattuck et al fraud allegations.

IBM's real purpose in presenting motions to the District Court and in prosecuting this appeal is evident from its repeated requests for extension of time and attempts to postpone hearing dates. In this connection, IBM obtained an extension of time to file its Record on Appeal in this appeal, but did not comply with the Scheduling Order; it obtained two extensions of time for filing the Appellants' Brief in this appeal; it obtained two postponements of the hearing date on the Xerox's motion to dismiss this appeal, as well as an extension of time for filing its briefs in opposition to that motion, and it moved to postpone the date for oral argument of this appeal, which was originally scheduled for August 16, 1976 and has not yet been rescheduled. IBM

has also obtained repeated stays and extensions of time from the PTO in connection with the interference. In nearly every instance, IBM's request for a stay or extension of time was made at the very last minute. Because of these delays, the Shattuck et al testimony, which was originally scheduled by the PTO for the one month period from September 18, 1973 to October 18, 1973, has not yet been completed, although nearly three years have now passed.

With that history of foot-dragging by IBM, it was entirely appropriate for the Western District Court to justify its denial of the latest demand by Shattuck et al by stating:

"The failure to Shattuck, et al, to take any action at that time in April 1974 with respect to the documents in question together with subsequent inaction, amounts to a waiver of any right Shattuck, et al, may have had over the subpoenas to obtain the documents and information which are the subject of this motion." (76A 7)

Contrary to the argument made by Shattuck et al (Br. 14-22), the District Court was correct in refusing the requested discovery on the basis of procrastination by IBM. As stated, for example, in *Babcock & Wilcox Co. v. Foster Wheeler Corp.*, *supra*, 173 U.S.P.Q. at 483:

"Even under the Federal Rules, documents or testimony otherwise discoverable will be denied a party who is tardy in making discovery motions. See generally 4A Moore, Federal Practice § 34.06 at 34-39 (1971). The purpose for such denial in the ordinary civil action is to prevent trial delay, but where the court has ancillary jurisdiction and therefore only incidental control over trial progress, vindicating the Patent Office rules by encouraging parties to seek relief thereby is the simplest, most expedient

method to insure speediness. It has already been recognized that timeliness is an important consideration, subject to the discretion of the district court, in ruling upon a motion for discovery in patent cases. *Montecatini Edison S.p.A. v. E. I. du Pont de Nemours & Co.*, 434 F.2d 70, 167 USPQ 577 (3d Cir. 1970); *Babcock & Wilcox Co. v. Foster Wheeler Corp.*, 432 F.2d 385, 167 USPQ 65 (3d Cir. 1970)."

With respect to the necessity for timely action to compel discovery under Rule 37, 4A Moore, Federal Practice § 37.02[6] at 37-39 (1971) states:

"The Rule places no outside limit on the time within which a motion to compel discovery may be made. Again, however, the broad discretion afforded the court in managing the discovery process permits it to prevent harassment through delay and repetitive use of the discovery devices. In *Hampton v. Pennsylvania R.R.*, for example, plaintiff failed to move to compel answers when witness' deposition was taken, but later moved under Rule 37(a) to compel answers to certain questions that defendant's counsel had advised the witness not to answer, and to compel the witness to answer general questions as well. The court noted that there is no authority under Rule 37 for compelling a witness to appear a second time for general depositions. It conceded that the Rule explicitly provides for compelling the witness to answer questions, but held that in view of the extensive discovery in the case and the failure to move under Rule 37(a) at the time, recall of the witness even for the purpose of compelling answers to the unanswered questions would constitute harassment and would be denied." [Footnotes omitted]

The various cases cited by IBM are inapposite. None of them relates to the effect of a failure to file a timely motion to compel discovery. They deal instead with waiver of a preexisting legal right which is unrelated to the effect of a refusal to pursue a procedural remedy at the proper time.

In a vain attempt to support its position, IBM asserts a purported unwritten understanding between the parties regarding production of the Karambelas privileged and work product documents listed in Exhibit 27 pursuant to a court ruling regarding the Exhibit 26 Weigl documents. Competent counsel would, of course, have reduced any such agreement to writing in the form of a stipulation, but there is no such stipulation and IBM can point to no contemporaneous record supporting its position. Mr. Karambelas, the attorney whom IBM alleges was a party to the agreement or understanding, specifically denied the existence of any such agreement when it was first postulated by IBM in May or June of 1974. (See Karambelas Affidavit, 76A 147.) IBM then sat back for more than a year before reasserting the existence of such an agreement at a time when it seemed appropriate to do so and could contribute to a further delay in connection with the interference.

Judge Burke, presented with all of the available evidence relating to the purported agreement, held:

"Karambelas did not agree that this court's ruling as to Exhibit 26 documents would govern Exhibit 27 documents. I so find." (76A 8)

There is no basis for any finding to the contrary. Judge Burke's ruling should be upheld.

**C. There Are No Erroneous Findings of Fact
In The District Court's Order**

Even if the requirement of Rule 52(a), F.R.Civ.P., that District Court findings of fact will not be overturned unless

clearly erroneous, were inapplicable in the present instance, no error can be found in any ruling relating to the Order here on appeal. None of the examples in the six "categories" of allegedly erroneous findings relied upon by IBM (Br. 24-34) is in any way incorrect. Nor would an error in any of them justify reversal of the District Court's decision and order in this case.

With respect to "Category 1," IBM's listing of dates and allegedly related events (Br. 24-26), many of which are incorrect, does not contradict the Court's statement that IBM took *no action* in April 1974 or subsequently with respect to the Exhibit 27 documents and that IBM waited nearly two years before asserting non-compliance of Karambelas with the February 1974 subpoena. As pointed out above, IBM's assertion of an agreement relating to the Karambelas documents is unwarranted. IBM makes no contention that it took any other alleged action with respect to the Karambelas documents until the latest motion was filed.

Rather than designating Weigl and Karambelas as "non-party witnesses" as IBM asserts in connection with "Category 2" (Br. 27), Judge Burke clearly recognized that each of the witnesses was a Xerox employee and, therefore, a party witness, as was acknowledged by this Court with respect to Weigl in connection with the previous appeal (523 F.2d at 516). Even though both Weigl and Karambelas were *party* witnesses, the District Court's Order with respect to the Weigl documents does not, of course, affect the Karambelas documents since they are different from the Weigl documents (except in two instances) and necessarily involve different issues. As stated by the District Court:

"The issues concerning production of the documents of Exhibit 27 are not the same as those raised previously in connection with the deposition

Exhibit 26. The Exhibit 27 documents contain un-subpoenaed information." (76A 8)

In connection with the "Category 3" statements, Judge Burke clearly recognized, from IBM's refusal to comply with Xerox's entirely reasonable compromise offer and IBM's demand for further information not within the scope of the subpoena, that IBM's purpose in bringing the motion was merely for harassment and delay. Since Shattuck et al were advised (76A 141-142) and acknowledged (76A 150-151) that the Karambelas documents included material outside the scope of the subpoena, Judge Burke was entirely justified in concluding that was the fact. IBM further misstates the facts at Br. 30 in connection with the objections (SA 15-23) to the subpoenas served on Weigl, Karambelas and Kondo.

Complete justification for Judge Burke's statements in "Category 4" (Br. 30) can be found in the passage quoted *supra*, page 19, from Moore, Federal Practice, stating that failure to move at the proper time will prevent reopening of depositions. Furthermore, Rule 45(d)(1), F.R.Civ.P. states:

"The party serving the subpoena may, if objection has been made, move upon notice to the deponent for an order at any time before or during the taking of the deposition."

Since IBM filed no motion prior to or during the Karambelas and Kondo depositions in connection with the objections which had been made, the depositions were completed as to all matters.

The inclusion of the "Category 5" statement (Br. 32), is based solely upon IBM's erroneous assertion, discussed above, of an agreement that the ruling with respect to the

Weigl privileged and work product documents would be dispositive as to Karambelas and Kondo. There was, of course, no such agreement or understanding.

In "Category 6" (Br. 33), Judge Burke ruled that the issues relating to the Karambelas documents were not the same as those relating to Weigl. A brief review of the document lists shows that (except for two identical documents) the subjects of the documents, and in many instances the authors and recipients of the documents, are quite different. The documents themselves and the files from which they came are, of course, different, resulting in many issues different from those of the Weigl documents. Judge Burke's statement that they involve different issues was, therefore, completely accurate.

**IV. IN VIEW OF THE FRIVOLOUS NATURE OF THIS
APPEAL, DOUBLE COSTS AND DAMAGES SHOULD
BE AWARDED TO APPELLEES**

Rule 38, F.R.A.P. states:

"If a court of appeals shall determine that an appeal is frivolous, it may award just damages and single or double costs to the appellee."

The present appeal is clearly frivolous and was intended solely for purpose of delay and harassment. The utter lack of merit in the appeal is apparent from the prior decisions of this Court in this and other cases and was recently pointed out by the Court to IBM on July 19, 1976 in the decision in *IBM v. USA*, Docket No. 76-3035. Furthermore, at two conferences with the Staff Counsel, Mr. Fensterstock, pursuant to Rule 33, F.R.A.P., the Staff Counsel advised IBM of the lack of merit of the appeal, recommended its withdrawal and strongly urged that IBM com-

ply with his recommendation. IBM, acknowledging the lack of merit in the appeal, proposed to stipulate dismissal but sought improperly to impose the condition that Xerox stipulate "... IBM's rights to seek further discovery in connection with the Interference" and that the Xerox employees were still "under subpoena". On the other hand, IBM is seeking the same discovery sought in this appeal by a motion filed in the PTO, thereby conceding that the PTO (and any court of appeal therefrom) has the requisite jurisdiction to order the discovery denied by the District Court.

These tactics constitute a transparent attempt to delay further the ultimate determination of the PTO interference proceeding with evident knowledge by IBM that the District Court Order here on appeal is not appealable to this Court. Such abuse of judicial process is improper. The Appellants' conduct in maintaining the appeal with knowledge of its impropriety requires an award of damages, i.e., the attorneys' fees and expenses of Hoegl et al in obtaining dismissal of the appeal, and double costs, under Rule 38, F.R.A.P., *Graciela Acevedo v. Immigration and Naturalization Service*, — F.2d —, Slip Opinion 3517 (2d Cir., April 29, 1976), *Simon & Flynn, Inc. v. Time, Incorporated*, 513 F.2d 832, 834 (2d Cir. 1975).

V. CONCLUSION

The law of the case, the prior decision of this Court in this and other cases, and the Federal Rules of Civil Procedure, require dismissal of this appeal. If the appeal is not dismissed, the District Court's Decision and Order of March 9, 1976 should be upheld in every respect. It is fully justified on the law and the facts of this case. For the reasons set forth in Addendum A hereto, pp. A1-A5, the District Court could not order discovery which had been denied by the PTO. In any event, the Appellants' main-

tenance of the appeal with full knowledge of its lack of merit justifies an award of Appellees' attorneys' fees and expenses and double costs in connection with the appeal.

Respectfully submitted,

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ADDENDUM A

**Analysis Of Certain Errors In The
Shattuck Et Al "Statement of Facts"**

Some of the misstatements in IBM's "Statement of Facts" require detailed comment. Others are self-evident or have been pointed out in the text of the Appellees' Brief.

At Br. 3-5 IBM states that Xerox was ordered by PTO to answer interrogatories and produce documents and that the Patent Office recognized "the availability of broader discovery under 35 U.S.C. § 24 which it was powerless to grant" and misstates the history of the depositions of Xerox personnel.

In fact, Xerox had advised the PTO that it would agree to produce the documents and answer the interrogatories in question. Those documents and interrogatory answers completely undercut IBM's initial fraud charges. IBM, nevertheless, persisted.

On February 20, 1974, immediately after receipt of the subpoenas served on Weigl, Karambelas and Kondo, objections were served on IBM pursuant to Rule 45(d), F.R.Civ.P. objecting to the subpoenas insofar as they sought documents or testimony which were privileged or work product or which would be inadmissible in the PTO in connection with the interference (SA 15-23). In this regard, 35 U.S.C. § 24, the Statute authorizing the issuance of subpoenas by the district courts in connection with PTO interferences, clearly excludes broader discovery than permitted by the PTO and limits such subpoenas to the collection of evidence which would be admissible in the PTO by stating:

"The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the Patent Office, shall, upon

the application of any party thereto, issue a subpoena. . . ." (Emphasis added)

The United States Courts of Appeals for the First and Third Circuits have confirmed that 35 U.S.C. § 24 does *not* authorize district courts to order interference discovery which can not be used in the PTO, *Frilette v. Kimberlin*, 508 F.2d 205 (3rd Cir. 1974), *cert. denied* 421 U. S. 979, 980 (1975); *Sheehan v. Doyle*, 513 F.2d 895 (1st Cir. 1975) *cert. denied* ——— U.S. ———, 187 U.S.P.Q. 480.

After the first decision by this Court in *Shattuck v. Hoegl*, 523 F.2d 509 (1975), another appeal involving issues closely similar to those of this case was presented to the First Circuit Court of Appeals and that Court was asked in view of *Shattuck v. Hoegl* to abandon its earlier ruling that the district court can not order discovery prohibited by the PTO. The First Circuit, in a *per curiam* opinion, *Sheehan v. Doyle*, 529 F.2d 38, (1st Cir. 1976), affirmed the District Court's denial of additional discovery, rejected the interpretation of 35 U.S.C. § 24 providing the basis for the District Court order which was the subject of the first appeal in *Shattuck v. Hoegl*, and set forth the rationale for the position of the First and Third Circuits as follows (529 F.2d 39-40):

"In this appeal, Doyle questions the wisdom of our decision in *Sheehan v. Doyle*, 513 F.2d 895, (1st Cir. 1975). In that case, Sheehan had sought documentary discovery from Doyle, and the latter had defended on grounds that Doyle, a nonresident alien, was beyond the jurisdiction and venue of the district court. We sustained Doyle but on the ground that 35 U.S.C. § 24 'does not confer jurisdiction upon the district court, acting on its own, to grant Rule 34 discovery directly, whether against a nonresident

alien or a resident citizen.' 513 F.2d at 898. In this, we relied heavily on the *en banc* decision of the third circuit in *Frilette v. Kimberlin*, 508 F.2d 205 (1975). In the present proceeding, it is Doyle who seeks discovery; and, after being peremptorily turned down by the district court on the basis of our decision in *Sheehan v. Doyle*, he brings this appeal.

"We first dispose of Doyle's argument that as the discovery he seeks is by a *subpoena duces tecum*, it is not precluded by our earlier decision. The thrust of that decision was that 35 U.S.C. § 24 provided for judicial subpoenas to be used in aid of contested Patent Office cases (including for purposes of broad-based Federal Rules discovery) but only to the extent permitted by the Commissioner of Patents. What we rejected, and this would apply as much in the present case as in the earlier one, was use of the federal district courts 'as alternative forums of first resort rather than as forums acting strictly in aid of the primary proceeding.' 513 F.2d at 899. Thus the district court correctly interpreted our decision as ruling out administratively unauthorized discovery of this nature.

"Here, if discovery proceeds, it will be more of the free-wheeling discovery which the third circuit and this circuit have determined Congress did not mean to authorize. Indeed, the very nature of the discovery here sought points up our earlier objections. Doyle seeks to probe whether Sheehan was the actual inventor, and Sheehan argues that that issue is entirely irrelevant to a Patent Office interference. Since the discovery proceeding is totally separate from the interference, and since no one from the Patent Office is a party or has purported to outline the scope of

discovery, the district judge would have to rule on this and similar contentions with little to guide him but the parties' conflicting ideas of what might or might not be deemed relevant by the Board of Patent Interferences. Plainly the issue of what is relevant to its own proceeding can best be determined, at least initially, by the administrative agency in question. For over 400 district judges scattered throughout the nation to attempt to rule on such questions in a vacuum scarcely seems sensible, and, as pointed out in *Frilette*, is a procedure without precedent elsewhere.

"This brings us to whether or not we should abandon the construction of 35 U.S.C. § 24 that we adopted in *Sheehan v. Doyle*. We see no reason now to change our mind. Plainly, as we were well aware last spring, § 24 admits of more than one reading. But for reasons stated both in *Frilette* and our own opinion, we can see little sense in the sort of proceeding that a contrary interpretation has generated. Were the legislative history and statute clear, we would have no recourse; but the legislative history is totally devoid of any indication that Congress had in mind such an anomalous and unusual result, and we are unwilling to settle for what we perceive to be a fundamentally unsound approach where an equally or more persuasive interpretation of the statute exists.

"We regret the uncertainty which a circuit split creates. There are, however, possible remedies. The Supreme Court may think it desirable to terminate the divergent interpretations that now exist. Alternatively, other circuits may follow the third circuit in abandoning the earlier construction. And the

Commissioner of Patents, exercising such powers as he now has, may find that he is able to contribute to clarification of the situation. Finally, of course, Congress may by legislative enactment make clear its wishes in this unsettled area." [Footnotes omitted]

In a footnote omitted from the foregoing quotation, the First Circuit Court cited *Discovery in Patent Interference Proceedings*, 89 Harv. L. Rev. 573 (1976) which supports that Court's reading of the statute and its view of the statutory history.

Relying upon the interpretation of 35 U.S.C. § 24 discussed above, the witnesses Weigl, Karambelas and Kondo initially declined to answer questions relating to the work done at Xerox since it was irrelevant to the issue of priority in the interference. IBM, in its first motion to Judge Burke in March 1974, sought to obtain access to that irrelevant information. Although the above described interpretation of 35 U.S.C. § 24 was pointed out to Judge Burke in opposition to the first IBM motion, the Court, nevertheless, ordered Dr. Weigl to testify and produce documents about the work at Xerox which was irrelevant to the issue of priority in the PTO interference. Pursuant to the Court's Order, Dr. Weigl did testify about that work, as did Messrs. Karambelas and Kondo, withholding only the privileged and work product documents and information to which objection had previously been made and which were not subject of the first IBM motion.

Although no evidence of the purported fraud asserted by IBM against Xerox was obtained as a result of those depositions, IBM, nevertheless, continued to charge fraud and erroneously asserted to Judge Burke, in its second motion in April, 1974, seeking the Weigl privileged and work product documents, as it does here (Br. 5, 6), that it had

made out a *prima facie* case of fraud. There is, in fact, no evidence supporting those charges.

Contrary to IBM's assertion (Br. 5) that it "wished to avoid unnecessarily burdening the Court with additional motions" at the time of the second motion to Judge Burke, the entire matter of privileged and work product documents could have been submitted to the Court at that time if IBM really believed it had a right to those documents. All of the privilege and work product objections had been made at that time and all of the documents had been identified. If IBM's latest motion and the appeal from the resulting District Court Order were not for the purpose of delay and harassment, it would have submitted the issues to the Court in connection with the second motion.

At Br. 7, IBM argues that this Court, in dismissing the prior appeal in *Shattuck v. Hoegl*, "held that the District Court had fulfilled its obligation under 35 U.S.C. § 24 by granting the discovery which made the evidence of fraud available to the Patent Office" citing page 509 of the report at 523 F.2d. This Court, of course, made no such holding. In fact, no part of this Court's prior decision appears at page 509 of 523 F.2d.

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by Joseph A. Thelli